

U 132

The
Management
REVIEW



MAY, 1942

COMMENT • DIGEST • REVIEW

Emergency Announcements

**at the urgent request of the War Production Board, the AMA will sponsor a
NATIONAL CONFERENCE on**

Industrial Salvage

JUNE 17, 1942

HOTEL NEW YORKER

MATERIALS ARE SCARCE! They are needed in unprecedented volume for the success of our national war effort. It is the responsibility of everyone in American industry to get the utmost use from each pound of material, in whatever form, and see that waste materials are promptly returned into the stream of production. Waste can lose this war, and certainly constructive saving can help win it. This is a war of materials, and the job of every industry is to conserve them. Responding to this urgent need, the War Production Board has requested the use of AMA facilities for a conference that will bring together all sections of industry to speed measures for industrial salvage. It will be a practical, down-to-earth meeting calculated to develop specific ideas and suggestions which you can put to work in your own plant.

AMONG THE SPEAKERS AND MEMBERS OF THE WPB PANEL WILL BE

GEORGE T. WEYMOUTH
Chief, Industrial Salvage Section

WALTER GEBHART
Industrial Division, Henry Disston & Sons, Inc.

ROBERT M. GATES
President, Air Preheater Company

S. DONALD PERLMAN
Salvage Director, Textiles, Plastics, Solvents

LOWELL S. THOMAS
Executive Adviser, Metal Scrap (Non-ferrous)

ISADORE GLUECK
President and General Manager, Copper Recovery Corporation

ROBERT A. WHEELER
Executive Adviser, Special Alloys

DAN W. GEE

The Sessions

THE morning session of this conference will be devoted to discussions of industry's place in the campaign, the work of the WPB machinery in Washington and how these facilities can be used to the greatest advantage. In addition, there will be case histories of how successful salvage programs have been organized and executed. The basic principles outlined in these talks may be applied to any type of industry and any size company.

The afternoon session will be devoted to a Questions-and-Answers panel discussion staffed by WPB experts, who will be prepared to answer any questions with respect to conservation and salvage of such critical materials as: ferrous and non-ferrous metals, rubber, textiles, plastics, solvents—in fact, any material in ordinary use in a war plant. Here is an opportunity for you to get the answers to the problems confronting you in your own business—and get them from headquarters.

Send your registration today

American Management Association

CONTENTS

MAY, 1942

Volume XXXI

No. 5

Copyright, 1942

American Management Association

Printed in U. S. A.

The Management REVIEW

The Management Index

Democracy and the Closed Shop	154
<i>Fortune</i>	
How the Labor Shortage Will Be Solved	157
<i>United States News</i>	
ARP for Vital Records	159
<i>Quarterly of the National Fire Protection Association</i>	
The Coming Labor Drought	162
<i>Barron's</i>	
Ideas That Stimulate Workers' War Effort	166
<i>Printers' Ink</i>	
Maintenance 'Round the Clock	168
<i>Mill & Factory</i>	
Preview of Marketing Changes	172
<i>Advertising & Selling</i>	
What Should We Advertise—Today? ..	173
<i>Sales Management</i>	
How to Buy Insurance	179
<i>Credit and Financial Management</i>	
And Others	
The Management Question Box	181
Survey of Books for Executives	
The Road We Are Traveling: 1914-1942	184
History of Vocational Guidance	184

PERSONNEL managers face one of the toughest years in their history, according to an article on the labor supply abstracted in this issue (page 162). With war industry absorbing 9,700,000 more workers this year and 5,000,000 more in 1943, unemployment will give way to an acute labor drought; indeed, the number of unemployed will probably drop to a "hard core" of 2.5 millions by the end of the year. The availability of labor—and the steps employers take to prepare for the pinch—may well determine whether or not they stay in business.

While no over-all shortage is predicted for this year, "dry spots" are already appearing in many industries and occupations; for example, the ratio of tool designers to demand is now 1 to 51. Drastic changes are in prospect for agriculture, which will lose more workers than any other field of activity. Next on the list will be trade, with a loss so serious that many small retailers will have to fold up. Financial institutions and service industries will begin to feel the stringency toward the end of this year.

The basic outline of the government's manpower policy is already taking shape (see page 157). No conscription of labor is likely at present, but rationing of labor has already begun (through the U. S. Employment Service) and may be rapidly extended. Management's traditional right to hire and fire will be restricted; war plants will be directed to do all their hiring through the employment offices. Men in non-war plants will be asked to take jobs in war industry (with government brandishing the big stick of draft reclassification). And, among the positive measures, training programs may become compulsory in all war industries.

Editor—JAMES O. RICE, 330 West 42nd Street, New York, N. Y.

Assistant Editor—M. J. DOOHER

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York, N. Y., at fifty cents per copy or five dollars per year. Vol. XXXI, No. 5, May, 1942. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

May, 1942

153

THE MANAGEMENT INDEX

General Management

Democracy and the Closed Shop

NO matter how the status of labor may be "frozen" on the surface for the duration of the war, history will probably record that a critical point in labor-management affairs was reached in 1941. The crisis did not involve wages or union recognition or the right to collective bargaining; it involved the ultimate question of power. The basic issue was simply this: *Was labor itself to assert control over the supply of workers available to management to do a given job?* In its most objectionable phases, the right of labor to assert control over the supply of workers assumes all the hideous colors of a racket. In a milder form it takes on the guise of the union shop, which allows management to hire whom it pleases provided that all new employees join the designated union after a stated interval of time.

On the surface the union shop would not seem to be a compelling fetter on management. But it can effectively prevent management from hiring the very sort of independent human being who might ordinarily

forgo ahead to the foreman or upper executive classes. If such people are forced out of mass-production industries, the United States will not necessarily be lost. But it won't be the United States in which we have all grown up; it will be a stratified nation, with the "classes" reduced to fixed and relatively immutable categories on the European order.

Now, it may be admitted at once that the closed-shop issue is one of the thorniest subjects that can be offered for discussion and settlement. There is much to be said on both sides. England and Sweden, for instance, get along without the closed shop except in certain trades, but the "union security" that it provides has been part of the United States labor myths ever since Gompers enunciated the principle: "We insist that the union shop is necessary to the security of the union and the enforcement of its demands."

The reason why labor goes along with the Gompers line is that it is still scared to death of management's intentions despite the Wagner Act um-

For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

brella. In Pennsylvania the coal miners remember the days when cracked heads (or worse) greeted organizers in a hundred hill towns. The steelworkers remember 1919, when the big companies used a rather universal mood of postwar reaction to break the power of unionism for 15 years. Automobile workers recall the fact that management hired labor spies and fired "troublemakers."

As William H. Davis told his colleagues of the Mediation Board, American management is now paying for the sins of the '20's. But the need for atonement is not necessarily an argument for the closed shop; it may merely be an argument against continued sinning.

However, there are justifications for the closed shop that have nothing to do with management's scarlet past. Where open-shop conditions pertain, there is often a continual uproar with non-union workers fighting union workers, or with the A. F. of L. fighting the C.I.O. Indeed, when Henry Ford granted the union shop and the checkoff to the River Rouge employees he did so with the hope of achieving shop peace. But those who prize freedom more than security may well ask if peace is worth taking the pressure off union leaders, who are apt to get fat and smug if they aren't faced with the daily task of proving their worth to the membership.

The prime argument against the principle of the closed shop, in fact, is that rank-and-file democracy is retained only with difficulty and at the price of a vigilance that can ruin

working efficiency when a union member lacks the power of resigning or refusing to pay his dues. Union democracy under the closed shop runs into all the snags that party democracy strikes in the Soviet Union, where power is theoretically passed upward from party units in village and factory to regional committees to the central committee. This "democratic centralism" throws politics into the hands of those who want to make a career of it, and the average amiable human being who wants to do his job by day and relax after dinner just can't keep tabs on the natural-born politician who loves the game of power for its own sake.

The political analogy between the one-party state and the closed-shop federation of unions can be pushed even further. Freedom of speech on political issues might itself be the great casualty if union leadership had the power to thrust men into an outer darkness where they would lose their chance of earning a livelihood. But beyond this there is the overwhelming fact that the huge vertical unions tend to function as monolithic political units. And if they are going to use the funds of the minority to promote the political will of the majority, it is only fair that members who disagree with the political majority should have the democratic right to withdraw at will.

What can be done? Freezing the *status quo* will not end the crisis. When the emergency is over, the closed-shop issue will have to be settled one way or another. A certain

liberal group would allow the closed shop provided that government incorporates or registers unions and then assumes the responsibility for regulating their intramural activities. Such a solution, however, brings in the state. And every time the state assumes more responsibility in the labor-management scheme of things, we are just one step closer to the corporative setup that is the basic structure of fascism. The simpler way, the freer way, would be for the state to keep its hands off the unions provided labor doesn't press for the universal closed shop.

But one precondition of any such liberal settlement of the question is that the subject be widely and honestly debated by men who are unafraid of mass pressure of one kind or another; a second is that Congress pass a law, such as the proposed Walter bill, that would provide for anti-trust penalties against union leaders

who used labor's organized power for monopolistic ends.

But for the really crucial precondition, we must turn to the history of Sweden and England. Management must never try again to lay a rude—or even a subtle—hand on the conscience of the man who is debating whether or not to join a union. If management doesn't voluntarily relinquish old habits of union-baiting and union-busting, then we shall get the universal closed shop or a condition of chaos alleviated by industrial slavery. In either case the state will eventually walk in as it has walked in in the U.S.S.R., in Italy and in Germany. And the state that walks in won't necessarily be a liberal state. It will be a state that is “above” labor and “above” capital, and it will probably rule with the usual dopey, unimaginative, ruthless and bureaucratic hand. BY JOHN CHAMBERLAIN. *Fortune*, January, 1942, p. 64:7.

Pills in the Contract

IN Philadelphia recently the Empire Ordnance Corp. and the United Electrical, Radio and Machine Workers Union sat down to negotiate a contract. Right from the start it became apparent that this was no ordinary bargaining, for adamantly the union insisted on a singular demand: two vitamin pills per day per employee. Convinced that the union wasn't fooling, Empire verbally agreed to provide the pharmaceutical boon.

Contracts such as this—but with the vitamin clause in writing—may soon become commonplace. Union organizers are beginning to be nutrition-conscious since the strain of long hours and fast work is taking a fatigue-toll of workers. Carl Bersing, C.I.O. international representative, claims that if the new experiment pans out as expected, there will be similar demands in all negotiations under his jurisdiction for the duration.

All of which, of course, isn't escaping the eye of food and drug manufacturers. Before them looms (1) a new industrial market, (2) the chance to spread their nutrition and health gospels through union channels.

—*Business Week* 5/16/42

How the Labor Shortage Will Be Solved

WAR industries will need 9,700,000 more employees this year, about 5,000,000 more next year. What will our manpower mobilization program mean to industry and labor?

Reports are current that men are to be drafted for factory work, that workmen are to be ordered to leave their jobs and accept work in other plants, even in other states, and at lower wages. There are stories that housewives are to be taken out of their homes to work in munitions factories, that a land army is to be organized to help the farmers in gathering the crops.

What are the facts? Though the details are still being worked out, the men in government who are working on the plans already have established a basic outline. Here are some of the highlights:

Labor draft: No conscription of labor, no calling up of men or women to work in factories as men are called up now for the armed forces.

Rationing of labor: Already begun on a voluntary basis. Employers who call on public employment offices for help are being given preference if they have high priority ratings from the War Production Board.

Hiring: War industries to be told to do all their hiring through the employment offices. Hiring at the gate, through private employment offices, advertising for help, to be prohibited either through a directive to all em-

ployers with war orders or by the insertion of a stipulation in government contracts.

Skilled workmen: Rationing is to be applied first to men with skills, men in occupations where shortages are critical. Later, perhaps next year, when a general labor shortage is expected, the plan may be extended to cover all types of production workers. Employment offices are not yet prepared to handle a large-scale rationing program.

Draft deferment: Force behind mobilization is to be the pressure that can be exerted by local draft boards. Selective Service System is moving toward a "work or fight" policy for everyone. Workmen who don't follow suggestions or requests of employment offices may be threatened with 1-A or 3-A draft classification. The latter classification no longer is draft-proof.

Transferring workmen: Employment offices are to have individual occupation records of every man from 20 to 65 years old. From these, the offices will know what men have necessary skills that are not being fully used in their present jobs. All concerns are to be combed for men whose skills are being wasted. These men will be asked to take new jobs. So far there has been no trouble in persuading men to leave non-war industries. All reports indicate that most men want to help in the war effort.

Exporting workmen: Migration of workmen from one community to another, from one state to another, is to be held to a minimum. Present policy is to fill needs from local supply and then to call on nearby communities for assistance. Plans are being made to pay transportation and moving charges for men accepting jobs out of their home town.

Training: Programs to train workers are to become compulsory in war plants. Government supervision is to increase. Special mobile crews may be organized to help start operations at a new or newly converted plant and to train employees in new work.

Discharges: Right to fire is to be restricted. The employment offices will have to be notified of any dismissal and an explanation given. Dismissals are to be kept to a minimum by a refusal to replace men unnecessarily dismissed.

Resignations: Pressure is to be

brought on employees to stick to their jobs. Men who quit will find that employment offices control the only war jobs available.

Women: Use of women in industry will increase greatly later on. Right now, talk of need for millions of housewives in factories is misleading many women. They are flocking to employment offices where they are being turned down. It's the same mistake the British made—issuing the appeals before jobs exist. The result has been to discourage many women who are ready to go into the factories.

Farm labor: Shortages of workers on farms is to be made up with local help, not with national armies of women laborers.

Students: Schools and colleges are to be combed for men and women with useful training. About 600,000 workers are expected from this source.

United States News, May 8, 1942, p. 16:1.

Checkoff for Income Tax

REALIZING that next year's income tax payments will present a stiff problem for employees, Package Machinery Company of Springfield, Mass., has formulated a plan for helping its workers meet the new tax load.

Under the plan, the company deducts from the employee's pay an amount estimated to be sufficient to meet his income tax payments. This amount is forwarded to a local bank and credited to the employee in a non-interest-bearing account. When the quarterly tax instalment comes due, the employee simply hands the slip to the cost department and signs a withdrawal authority. The cost department then sends it to the bank, which mails the check to the government tax collector and charges the account. Whatever balance remains in the account after all tax instalments are paid is placed in a regular interest-bearing savings account to the employee's credit.

Taxes have been figured on the basis of earnings and exemptions, and the company can tell the employee approximately how much he will have to have available for the four instalments. Employees who wish to have an additional amount deducted from their pay in order to start a savings account may do so. The employee's part in the transaction consists merely of filling out the Tax Club Withdrawal Order.

—*American Business* 5/42

Office Management

ARP for Vital Records

IF bombs should fall on your office today, would your vital records be ready for business tomorrow? There is not much that can be done to safeguard records from a direct hit by a high-explosive bomb, although the hazard may be reduced by moving them to the center of the building and a substantial degree of safety secured by maintaining duplicates at a distant point. Fire, either accidental or air-born, remains the greater danger, for it exacts the greater toll. And we can protect our records from incendiary bombs by taking action *now*.

Records may be divided into four classifications: *vital*, *important*, *useful* and *non-essential*. *Vital* records are those which are irreplaceable; those needed for prompt recovery of monies with which to replace buildings, equipment or materials; and those required to restore production, sales and service. *Important* records are those which could be reproduced only at considerable expense or labor or after much delay. The *useful* group includes those whose loss might occasion a great deal of inconvenience but which could be replaced more or less readily and which are not necessary to the restoration of the business. *Non-essential* records, of course, need not be considered since, for the most part, they are those which are

no longer needed and can be destroyed.

Vital records should be protected so well that they will be preserved even if the section of the building in which they are located is completely burned out. This may be done by housing them in a standard fire-resistant vault, safe, or record container having a fire-rating recommended for the maximum hazard to which they are exposed.

The one-hour, two-hour or six-hour time-rating on the container means that it will afford protection from a severe fire for the period stipulated. Tests show that there is a definite relation between the amount and arrangement of combustible material and the maximum probable fire severity. They reveal, for example, that in a fire-resistant building where wooden furniture, shelving, etc., is used, one-hour protection is needed if the total combustible contents amount to 10 pounds per square foot. Where the combustible contents amount to 15 to 20 pounds per square foot, a two-hour safe is suitable; and where they are 35 pounds to the square foot, only a six-hour container will afford protection.

If the volume of vital records is too great to permit storage in a vault, they may be placed in a special fire-resistant section of the building

equipped and maintained like a standard vault, or in an isolated fire-resistant documents building.

Important records should be given the same protection as the vital ones, or, if that is not possible, they should be segregated in a fire-resistant file storage room. This segregation should not be considered protection against an all-out fire, however.

It is the practice of some concerns to reproduce valuable records on miniature photographic film of the cellulose acetate type (cellulose nitrate film is not recommended for this purpose). While the cellulose acetate film does not burn any more readily than paper, it may be injured by conditions which would not affect ordinary paper

records. Tests show that when microfilm is exposed for a long period of time to a temperature of 225° or 275° F. in the presence of steam, or to a dry temperature at 300° for a shorter period, it warps or shrinks so much that it cannot readily be run through a projector. However, the individual frames of the film are legible and reprints of them can be made. Obviously, in an uninsulated record container, microfilm will burn as readily as paper, because, when such a container is exposed to fire, the interior almost instantly reaches a temperature which will char either microfilm or paper. *Quarterly of the National Fire Protection Association*, April, 1942, p. 57:23.

How Western Electric Protects Its Records

WESTERN ELECTRIC has solved the problem of protecting its weighty records by appointing a committee representing the departments concerned. After studying the matter, the committee made the following recommendations:

1. Records requiring special attention and to which infrequent reference is made will be shipped to another city, in charge of a resident company employee.
2. Records that are referred to frequently, or of which exact reproductions are required, should be microfilmed and also sent to another city.
3. Data reflecting current operations are to be made available through extra carbon copies provided at time of original writing. When exact replicas are required, photographic reproduction is recommended.

The secretary of the company is charged with (1) obtaining from the departments involved records covered by their lists; (2) making the required photographic duplicates; (3) shipping the records to the selected location; and (4) preparing and distributing the related routines.

Few office or factory buildings were considered safe for storage. A 300-pound bomb with an impact velocity of 820 feet per second will penetrate one foot of reinforced concrete supported at all points, Western Electric engineers find, or crash through six floors each with six-inch flooring.

—*The Journal of Commerce* 4/21/42

More Office Savings

SHORTAGES of rubber, paper, steel and other metals pose an increasingly serious problem for the office manager. According to *The Journal of Commerce*, 12 items of office supplies are becoming more and more difficult to buy in the open market. These are steel pens, steel pins, paper clips, paper fasteners, pencils, rubber bands, rubber erasers, wrapping paper, manila scratch pads, type-writer ribbons, twine and carbon paper.

The amount of material which ordinarily goes into these products, it is pointed out, is illustrated by the 1941 purchases of one company, the New York Central Railroad. The steel in pens, pins, paper clips and paper fasteners purchased by this organization would have been sufficient for 3,500 Garand rifles; the rubber bands and erasers it used contained enough rubber to make 1,984 tires for "jeep" reconnaissance cars; and the twine used weighed as much as the rope for nine first-class destroyers. The New York Central has initiated a conservation campaign among its office employees and is recommending among other things that clips, pins and pens be carefully preserved, that wrapping paper be sparingly used, and that extra turns of twine about packages be eliminated.

Other recent suggestions for saving office supplies come from the Tennessee Valley Authority in a memorandum in *NOMA Forum*, organ of the National Office Management Association. Among these are:

1. Use one staple instead of several.
2. Re-use manila file folders by placing new labels on the tabs.
3. Use pencil holders, and sandpaper pencil points to obtain maximum service from lead pencils.
4. Substitute verbal for written communication wherever possible; telephone instead of writing.
5. Reply in longhand at the bottom of incoming memoranda if no permanent record of comments is needed.
6. Use old newspapers for wrapping and packing warehouse shipments.

The TVA is also asking all departments to report unused equipment so that it may be transferred to departments which need it, and has drawn up a power conservation program. The latter was put into effect to comply with OPM restrictions that were later lifted, and includes such measures as: reduction in wattage of bulbs, removal of unnecessary bulbs, cutting off unnecessary air-conditioning, removal of fans and electric heaters.

Secretary's Headache

A NEW YORK banking house has been having a brisk correspondence with the State of New York about a certain point in the unemployment-insurance law. To prevent sidetracking to the wrong office, every letter written must be addressed thus:

State of New York,
Department of Labor,
Division of Placement and Unemployment Insurance,
Administrative Office,
Tax and Wage Records Bureau,
Employer Contribution Section,
Registration Control Unit,
Albany, New York

Runs into typewriter ribbons in the course of a few months.

—*The New Yorker* 3/21/42

Personnel

The Coming Labor Drought

THE controlling factor in production and distribution in this country is now materials, but gradually, as 1942 progresses, it will become labor. Ultimately labor and labor alone will be the controlling factor. With labor you can produce materials and tools, but first you must have labor." Thus spoke Robert Nathan, chairman of the new Planning Committee of the War Production Board recently.

While the nation as a whole won't experience a labor shortage this year, dry spots—forerunners of the coming drought — already are appearing in many skills and in several industrial areas. You can't hire a tool designer today for love or money; the ratio of the demand to the supply is 51 to one, according to a survey made by the U. S. Employment Service. Generally speaking, the industries which are already experiencing shortages in certain lines are machine tools, manufacturing, shipbuilding, aviation and ordnance. These industries, and those joining them by conversion from non-defense work, will begin to be seriously hurt by the lack of skilled workmen around September-October of this year. And from then on, the shortage will become general, embracing the whole economy.

The greatest shifting of workers in the history of the nation will take place. Agriculture will suffer the

greatest loss. Next will come trade—shops and stores of all kinds. The financial community, together with other services such as hotels, restaurants, laundries, will pick up workers until the third quarter of this year, but thereafter will begin to lose them, the loss accelerating in 1943. Manufacturing, obviously, will take on the greatest number of workers; mining, contract construction, transportation and utilities and, of course, the Federal Government will show increases.

The geographical distribution of the labor supply — present and future — is doubly important to the business man. First, it tells him whether he should expect an over-all labor shortage in his area. Second, business men in areas in which there is no labor shortage have good reason to expect more war contracts.

Two cases in point are Detroit and New York. Government experts believe that Detroit will be the tightest spot in the whole country when production under existing contracts reaches its peak; as a result, efforts are being made to encourage subcontracting by Detroit manufacturers. On the other hand, New York City has about 400,000 unemployed persons, and even when peak employment is reached under existing contracts there will be 350,000 unemployed. Serious consideration is, therefore, being given

to placing future war contracts in the metropolitan area.

If a manufacturer has any misgivings about his labor supply, he should get in touch with the local office of the U. S. Employment Service. It knows all about the labor supply in every part of the country. It will diagnose a case in confidence — like a country doctor.

There are, moreover, several things a manufacturer can do for himself when the labor shortage begins to pinch him. Perhaps the best thing to do is to see whether more efficient use can be made of skilled labor already in the plant. One method is called upgrading—if you have to have a tool designer right away and none is available, one of your precision machinists might work into the job.

Another method is to make the job fit the man. A manufacturer recently needed an over-all machinist. He discovered that he had one over-all machinist doing five different machining operations on a given part. He looked around and found five men, each of whom could do one of the operations. So he broke the job down into its five component parts, put one single-skill worker on each component,

and had his over-all machinist available for a tougher job.

Another point—employers will have to be less particular about whom they hire; they are going to have to hire older workers, for one thing. One manufacturer hired a machinist 84 years old the other day and was very happy to get him. Many retired workers are coming back as instructors.

The prejudice against hiring women is going by the board. In Great Britain 50 per cent of the workers in the aviation industry are women. In our own southern California airplane industry, it has been found that women can do certain jobs better than men.

Some employers have been overzealous in refusing to hire aliens and workers of foreign extraction, although some of the most highly skilled workers are in this group. In a number of instances, reluctance to hire negro workers has slowed production.

If every means is used to find and train workers, there will be no over-all shortage in 1942. But next year, look out. Whether you stay in business or not may depend on whether you had the foresight to see the pinch coming and to provide for it. BY JOHN W. HAZARD. *Barron's*, April 6-May 4, 1942.



Automatic Cost-of-Living Wage Adjustments

IN establishing automatic cost-of-living wage adjustment plans, employers hope that demands for wage increases will be materially reduced, if not entirely eliminated, and that continual wage negotiations will be avoided. Union leaders were at first opposed to such plans because they believed that labor should strive to *improve*, not merely to maintain, its standard of living; but of late they have undergone a change of attitude in recognizing that the inclusion of a cost-of-living adjustment clause in a union contract at least guards against loss of purchasing power in the event of rapidly rising living costs.

Use of a cost-of-living adjustment in wages is still not widespread, however, and a survey by the National Industrial Conference Board reveals that most of the current adjustment plans have been in effect only a short time. This survey covered 28 bona fide plans, and a larger number of companies since some of the adjustment systems are used by more than one concern.

The principle underlying this method of wage adjustment is that for each specified change in the cost-of-living index a corresponding increase will be made in wages. The majority of the plans studied employ the index of the Bureau of Labor Statistics, United States Department of Labor, because the companies believe that the workers will more readily accept government figures. If possible, it is considered

a wise policy to use the index for the city in which the company is located or the nearest available. The Bureau of Labor Statistics publishes monthly indexes for 20 cities and quarterly indexes for 14 others.

The cost-of-living adjustment is most frequently made when the index has advanced or declined a full five points, and the majority of the plans (57 per cent) provide that the adjustment shall be a percentage of the workers' earnings. However, in order not to commit themselves to an unlimited rise in compensation, a number of companies have provided that when the index has risen a specified amount—for example, 10 per cent—the plan may be reconsidered, while several stipulate that the maximum cost-of-living adjustment will be 10 per cent of income. On the other hand, although the plans provide for an adjustment downward as well as upward, most specify that wages shall not be reduced below the schedule in force at the time the plan was put into effect.

About two-thirds of the plans studied provide that the changes may be made only at specified intervals. This is particularly important in companies which provide for an adjustment every time the index fluctuates a single point. If no limitations are put on the frequency at which adjustments are made, the cost-of-living factor may change every month in times like the present; consequently, in all plans which pro-

vide for a 1 per cent increase in compensation for each point of rise in the index the adjustment is made at quarterly intervals only.

Nineteen of the wage-adjustment plans (64 per cent) have been incorporated in union agreements, and, accordingly, these provisions apply primarily to union members, although in some instances the plans have been extended informally to include all employees. In the eight companies which have devised cost-of-living adjustment plans independent of any union, some limitations have been imposed upon eligibility. As a rising cost of living inflicts the greatest hardship on the lower-paid employees, most of this group of plans restrict participation to employees earning less than a specified amount—from \$40 per week to \$300 per month—or to those below the rank of executive or department heads.

The comparatively short time most of the cost-of-living plans have been in effect makes it impossible properly to appraise their value in meeting an emergency situation. It is significant, however, that two plans which had been in existence longer than any of the others have been discontinued at this time when interest in this method of compensation is greatest.

One argument in favor of the plans is that the adjustment in earnings is made systematically in a manner the wage earner can understand, and when downward adjustments are made the workers will accept them in a proper spirit. It has been a common experi-

ence, however, that any extra compensation which is paid regularly soon becomes identified in the worker's mind with his regular compensation. When it is reduced or eliminated, the wage earner's reaction is often much the same as though his basic rate had been reduced.

Another criticism, offered by several executives, is that the operation of cost-of-living plans might actually "accelerate the spiraling cost of living." And with rapid changes occurring in the index, some feel, the extra charge might easily become a burden to business.

The chief advantage of the method, from the employer's point of view, is that it enables him to handle the problem of wage increases in an orderly fashion in a period of emergency. Employers interviewed in the course of the survey reported that demands for wage increases have been materially reduced. It is true that it has been found necessary to make individual adjustments for certain skilled workers who are in great demand, but employers say that these plans have made it possible, to some extent, to anticipate when the increases will be due. Also some employers think the recent increases based on rises in living costs are smaller than those that would have been necessary if there had been no definite plan, since the workers customarily ask for straight 5 or 10 per cent. BY F. BEATRICE BROWER. *The Conference Board Management Record*, November, 1941, p. 138:4.

Production Management

Ideas That Stimulate Workers' War Effort

THE activities which have been launched in the plants of The Timken Roller Bearing Company to increase production for victory provide a catalog of useful suggestions for other concerns. A review of these activities as a whole demonstrates that whereas a war bond drive among employees, the use of inspirational posters, or adoption of a safety program has a great deal of merit as an isolated activity, many diversified activities together can provide continuous employee stimulation in keeping with the magnitude of the war production effort.

Here are some of the production stimulators used by this company:

Labor-management committees. In each of the plants, men have been selected from various departments for such committees. In the main plant at Canton, Ohio, and in outlying plants, such committees are functioning for various divisions—e.g., the bearing division, steel division, and rock bit division. These committees make and pass on submitted suggestions—in general, do everything they can to smooth the way for increased production and efficiency.

Saboteur signs. So that potential saboteurs will not be ignorant of the penalties that await them, signs quoting the Espionage Act of 1917 are prominently posted in the plants.

War bulletin blackboards. Black-

boards are placed at conspicuous points throughout all plants. Latest news reports from the fighting front are chalked on these blackboards regularly. The use of the blackboards emphasizes the newsmanship of the bulletins more than any printed message could.

Suggestion boxes. Hundreds of suggestions for speeding up production pour into Timken's suggestion boxes. All the suggestions are acknowledged, and the company pays for every one used. An award goes to the employee who has the most acceptances during the year.

Letters, folders, booklets for employees. Vice president L. M. Kline-dinst "gets down to brass tacks" in a letter every month to employees. These letters go to employees' homes. Where information is too lengthy for a placard or letter and is deserving of frequent reference, it is printed in booklet form and issued to all employees.

Victory buttons. Each one of the 16,000 company employees has received a Victory button, which many of them wear regularly.

Rewards against vandalism. A wave of tire vandalism hit the town of Canton, prompting the company to post a reward of \$500 for information leading to the arrest and conviction of those stealing or destroying any tire used by one of its employees in going to or from work.

Aisleway posters. Large posters suspended over aisleways remind employees of the part they play in the victory program. Typical of the messages on these large posters are: "Time is Short"—"United We Stand"—"Defense Plant. Part of the Arsenal of Democracy"—"Men Working—Together!"

Posting work schedules. Work schedules are posted 20 weeks in advance in each department throughout all plants so workmen can tell when their shifts start and stop. These schedules make possible the smooth operation of the 168-hour workweek. They have been so carefully worked out that every man works five days in a row and then is off at least 48 hours, after which he changes shifts. Over each period of 20 weeks, each man has five Sundays off.

Honor Roll board. Size four feet by 12 feet, illuminated "Honor Roll" boards are being constructed. Names of Timken men in military service will be mounted individually on these boards in alphabetical order.

Inspirational messages. Each week an inspirational message is posted on every bulletin board in the plant.

Reminder posters. Reminder posters throughout the plant are changed each day to impress upon employees the fact that there is less and less time with which to defeat the Axis in this crucial year of 1942.

Medical and canteen departments' notices. The medical department and canteen are kept open 24 hours a day, seven days a week, and notices to that effect are posted near the time clock.

Patriotic reading matter. Posted also are patriotic reading matter and communications between government officials and Timken's president.

Employees write advertising copy. Employees are encouraged to use all their talents in the campaign for victory. At the advertising department's request, they contribute copy for advertisements in the daily newspaper.

Safety program. The company's safety program is keyed to the "V for Victory" emblem with a poster that uses the familiar three dots and dash symbol over the message, "Stop Accidents!"

Management-labor contracts. Management-labor contracts and all provisions thereof are conspicuously posted in the main thoroughfares of all plants.

Transportation survey. The company has cooperated with other Canton industries, labor, and the local bus company in arranging shift schedules to avoid traffic congestion. Employees who drive cars to work are urged to carry full loads whenever possible, to save tires. A survey of employee transportation facilities was very helpful in ironing out transportation problems.

Large newspaper advertisements. Large newspaper advertisements appear each week in all cities where Timken plants are located. One such advertisement carried a list of the names of all the 780 Timken men who are now in military service.

Local movie house tie-up. Each week Canton theaters carry a one-minute movie spot especially prepared

by Paramount Pictures for the company.

On the radio. Daily radio spots remind all of Canton that only so many days remain to defeat Hitler and Hirohito in this critical year. The company sponsors a 15-minute Sunday afternoon radio program of music and thought-provoking philosophy.

Around the town. Canton merchants help build victory enthusiasm by using counter and window signs furnished by the company. Outdoor billboards remind Timken workers and the public of the importance of Timken products in the defense effort.

By ELDRIDGE PETERSON. *Printers' Ink*, May 8, 1942, p. 21:4.

Maintenance 'Round the Clock

A PLANT operating 24 hours a day and seven days a week soon proves the mettle of its maintenance organization. Preventive maintenance becomes an all-important function, and any weakness in its application will be reflected in broken-down machines and idle men.

At the plant of the Cleveland Pneumatic Tool Company, the maintenance department has made possible 'round-the-clock production for over two years. During this period of intensified production activity, the most serious shutdown was a five-minute power failure due to something beyond the maintenance department's control.

As soon as the plant acquired government contracts that necessitated 24-hour operation, the maintenance department took steps to assure uninterrupted operation. Since the department had long before adopted preventive maintenance procedures, the new manufacturing schedule meant intensifying these activities and making suitable adjustments to allow for al-

most continuous operation of the production machinery.

The present maintenance organization consists of 125 men. About 90 of these employees work a 10-hour day shift, and 35 work an 11½-hour night shift. This setup is designed to permit the day shift to handle repair work, new installations, all construction jobs, machine changeover, and major service jobs. The night crew, although more than a skeleton force, is chiefly concerned with routine servicing jobs, spot maintenance, and emergency service.

The day shift forms the foundation of the preventive maintenance procedure. The organization consists of electricians, pipefitters, millwrights, machine repairmen, carpenters, laborers and shop truckers. Each of these groups works under a foreman.

The nub of the preventive maintenance setup is the disposal around the plant of electricians and machine repairmen. The entire plant is divided into five sections. Each one of the areas is "patrolled" by an electrician

and a machine repairman, who are responsible for the maintenance and continued operation of all the equipment in each area. These men actually patrol their area, service all equipment, and make notes of anything that will require a major repair or overhaul. To facilitate their work, each of these men is provided with his own repair equipment and a workbench.

A particularly important phase of these men's work is to render spot emergency service; that is, to take care of any minor breakdowns immediately. To facilitate this service, a blackboard is hung near the workbench of each man. When he leaves to service a machine in some department, he notes on the blackboard just where he can be found. Thus if someone needs him in a hurry, he is easy to locate.

When a major repair of a machine is anticipated, the men make arrangements to get the machine when it will be out of production. They ascertain from the production foreman when the machine will be available for repair. This may be when it is shut down:

- (a) Between shifts
- (b) To change setups for a different production run
- (c) A few hours on Sunday when the production operator is off.

When a suitable shutdown time can

be arranged, the repairman makes out a maintenance department work form, on which he describes the work to be done and tells when it can be handled. In the maintenance office this form is filed under "jobs pending," and arrangements are made to provide the necessary men to handle the work. Before shutdown time arrives, the necessary replacement parts, special tools, and other equipment are collected so that the work can be handled smoothly and expediently.

Another important cog in the preventive maintenance program is the man trained for a special job. For instance, the elaborate automatic heat-treating equipment, or machines requiring involved electronic controls, are too complicated and critical for routine servicing. To assure uninterrupted operation of these processes and machines, men of particular aptitude are given a thorough training in the care and operation of specific equipment. Wiring diagrams and control settings are learned by heart, and a complete study is made of the various parts of the equipment. The special men thereafter devote their entire time to checking the operation of their particular equipment, and making such periodic overhauls as are necessary to assure continued operation. BY FRANK COLLINS. *Mill & Factory*, April, 1942, p. 106:3.

► FEATURE of a new blackout plant, now under construction by the Monroe Calculating Machine Co., is a three-inch layer of moving water on the roof. The water, provided by driven wells, will help to establish cool temperatures in summer (the plant is air-conditioned, however), assist insulation in winter, and catch any incendiary bombs that might fall.

—Forbes 3/1/42

Optimum Hours of Work in War Production

WHAT is the maximum number of hours per day or per week an employee can work and maintain his highest efficiency? To answer this question, inquiries were directed to executives of 140 companies engaged in war production and employing a total of 2,000,000 workers.

An overwhelming majority of the executives replying considered the 48-hour week, on an eight-hour, six-day basis, the optimum, but other estimates ranged from 40 hours (9.4 per cent) to 60 hours (6.3 per cent). Much, of course, depends on the nature of the work, the number of rest periods allowed, the physical condition of the workers, and their attitude.

Another factor is the amount of time and energy the employees must spend in getting to and from work. The British have found that hours must be shorter in winter because of the greater difficulties of obtaining transportation during blackouts, and a number of American companies believe that absenteeism among women workers is increased when transportation facilities are inconvenient or inadequate.

In any case, opinion is strongly against any form of the seven-day workweek, and experience has substantiated the soundness of this. The seven-day workweek so invariably results in decreased productivity and impaired health that many companies question whether it is advisable to institute a seven-day workweek even for a short

period while workers for an extra shift are being recruited and trained.

A workweek longer than 60 hours is considered definitely unwise. After 60 hours there is apparently a sharp increase in accidents and absences and a rapid decrease in individual productivity. And perhaps the most serious effect of working more than 60 hours, even for a short time, is that physical fatigue and careless work habits engendered tend to continue after hours are reduced. The following statement is representative of a number of opinions:

"For maximum output or productivity, when ample facilities are available but where there is a shortage of skilled workmen, use the 60-hour week of two shifts per day, six days per week, 10 hours per shift. We have found that employees can keep to this workweek indefinitely but that absences and accidents will increase. For maximum productivity when both ample facilities and enough skilled workmen are available, use the 48-hour week, three shifts per day, six days per week."

For women employees, experience indicates, the optimum workweek is shorter than for men. While a 48-hour workweek is not likely to be detrimental to a woman's health in itself, the fact that women industrial workers often have household and family responsibilities makes the 40-hour week more nearly the optimum for them. "Absenteeism increases the

minute we go over a regular 40-hour week," the personnel director of a company which employs slightly more women than men wrote.

Three other conclusions may be drawn from the survey:

1. Whenever hours are revised upward, special attention should be paid to attendance and safety. Experience reveals that whenever hours go over 48 there is an increase in absenteeism and probably in accident frequency also. Attention to the health of the workers, more adequate housing, provision for the care of children of working mothers will all reduce absenteeism and turnover, while improved safety engineering will counteract the tendency to increased accidents.

2. The need for longer hours should be made clear to employees, and they should be informed regularly of the results in terms of productivity. American workers are eager to help provide essential war equipment, but a sudden change to considerably longer hours,

coupled perhaps with a new job or a new work schedule, is not easy. Bulletins or charts, showing production in relation to quotas, help keep employees reminded of the importance of their own work in the total war effort.

3. In determining optimum hours for maximum productivity, the length of the emergency period must be considered. Industry has recognized that optimum hours must be set in terms of months and years, rather than on the basis of a few weeks' production. The probable duration of the war makes it imperative for American industry to hire and train enough additional workers to permit the reduction of the work-week to the level that can be maintained effectively by the majority of the workers. And industry must do this just as quickly as possible.

From "Optimum Hours of Work in War Production," by J. Douglas Brown and Helen Baker. Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, 1942.

Salesmen in Overalls

GOODYEAR Tire & Rubber Co. has put into operation a plan for absorbing sales and field representatives laid off because of the war into its aircraft factories. While the sales organization has been reduced by over 40 per cent in the last 12 months, nine out of every ten men dismissed have been put to work again. Of the remainder, some have obtained other employment.

Goodyear first made it possible for most of the former salesmen to visit its aircraft plants and discuss their prospects with officials there. If they decided on aircraft, they were sent to a training school where they received a minimum of 85 cents an hour. Most of them went from the school to supervisory jobs or positions which will lead to supervisory jobs; others are berthed in actual production posts.

Thus the plan is accomplishing three things: (1) providing a means of livelihood for former salesmen who might otherwise have found themselves jobless; (2) keeping capable executive-type men in the organization to provide the nucleus of a sales organization when the rubber business returns to normal; (3) giving the men an opportunity to help win the war.

—The Wall Street Journal 5/14/42

Marketing Management

Preview of Marketing Changes

CIVILIAN automobile mileage this year is expected to fall 35 per cent below the 1941 figure. For many lines of business this means duration-blackout; for others it means a lift. Here is a check list of merchandising changes likely to follow rubber rationing and gasoline shortages:

1. Manufacturers may have to expect more volume from men traveling for jobbers or wholesalers. These men call on outlets which, under present restrictions, the manufacturer's own sales force cannot contact directly.

2. The small-town dealer's business may be increased by trade from people who formerly drove to the nearest large city shopping center. The neighborhood store is likely to get business which formerly went downtown.

3. There may be a trend toward large-size packages which do not have to be replaced as quickly as smaller units.

4. More goods may be shipped (drop shipments) by parcel post and express.

5. The supermarket may give way to service chains or stores which deliver groceries and meats.

6. Milk distributors may push other dairy products more forcefully—e.g., eggs, butter and cheese.

7. Bread companies which sell door-to-door may experience a sales pickup.

8. Spending more time at home, people may read more magazines and newspapers; and because of the tendency toward close-to-home buying, the small-town newspaper may gain importance as an advertising medium. Radio listening has already increased because of "hot" news breaks; outdoor highway showing may suffer; bus and car card advertisements will reach more people.

9. Vacation resorts close to home may gain at the expense of the more distant ones.

10. Golf club memberships may decrease.

11. Movie attendance in metropolitan cities may increase, and garages and auto sales agencies may be converted into small neighborhood movies within walking distance of a few hundred homes.

12. Some manufacturers may gear their goods and styling into the increasing use of bicycles by adults; special clothing designed for the cyclist is one possibility.

13. Umbrellas should sell better.

14. More shoe purchases are probable, and there may be a trend to stouter walking shoes for grownups and children, possibly even a boom in roller skates and snowshoes.

15. Families will be together more, which means revived interest in home entertainment (games, etc.), more gar-

dening and work around the house, more interest in home decoration.

16. There will be more churchgoing in neighborhood churches.

17. Better public health, due to more exercise, is to be expected.

18. Unless passenger traffic by rail

is restricted, railroads serving the great national parks and other vacation areas formerly reached chiefly by automobile should experience a considerable increase of vacation traffic.

BY BEN DUFFY. *Advertising & Selling*, April, 1942, p. 27:1.

What Should We Advertise—Today?

FOR a number of years, the public relations program of General Electric has included a series of institutional advertisements in general magazines. As the defense program took shape, this series was discontinued, and in its stead advertisements were used to show the rapidly increasing part which G.E. was playing in this program. More recently, after the United States' direct involvement in war, it was thought desirable to make a thorough survey of the public's sentiments toward advertising.

Unlike previous studies in which the major emphasis was on the problems peculiar to the company, this study was designed to measure more fundamental attitudes toward industry as a whole. Since one of the first findings was that the public wanted companies to continue advertising, the study was directed mainly toward discovering what kind of advertising the public wanted or what it wanted to be told in this advertising. The findings of the survey, which are summarized here, should be of significance to advertisers in every field of activity.

Service or Maintenance Advertising: By far the largest proportion of the people were interested in service or maintenance advertising. Approximately 90 per cent wanted to be told how they could make their automobiles last longer, how they could make their electrical appliances last longer, how to conserve the merchandise they already had. The response was singularly uniform. Differences by geographic areas and between men and women were negligible. Such campaigns as that of U. S. Rubber Co. and the Goodrich Co., telling people how to conserve their tires and save rubber, fitted in perfectly with the findings of this study.

Advertising of Peacetime Products: Second in popularity of advertising subject matter were peacetime products still available. About 85 per cent of the people wanted to have companies tell them about the products they were still producing for sale. It should be remembered that when these interviews were made, between January 29 and February 4, only a very small number of manufacturers had been

ordered to give up all peacetime production.

Research and Postwar Preparations: About three-fourths of the people wanted to know what research was being done to develop new products and what steps companies were taking to deal with unemployment after the war.

War Products and War Activities: About one-half of the people interviewed wanted to have the automobile, chemical, and electrical companies tell them about the war products they were making or about their war activities. Therefore, among the four broad types of information enumerated, the one which the public *least* wanted industrial companies to tell them about in their advertising was war products and war activities.

This particular finding has aroused considerable discussion and even controversy. This is only natural, because some companies have concentrated their institutional advertising heavily on their war production and war activities. Indeed, one company's institutional advertising has been described as creating the impression that this company is waging the war singlehanded!

In regard to this finding that people were more interested in advertising about product conservation, postwar preparations, etc., than they were in the advertising of war products, some may jump to the conclusion that the American public is not yet awake to the seriousness of the war and the necessity for an all-out effort. This

interpretation is hardly justified by the findings of the present study.

For example, what people wanted to hear most from companies was how they could conserve those products which would no longer be available. That is to say, they wanted the companies to tell them what *they, the public, could do, what contribution they could make* toward the conservation of essential products and supplies.

War Profiteering: Closely related to this finding, and going to the very heart of the public relations problem of industry, is the question of war profiteering. It will be remembered that the stigma of war profiteering after the last war was placed primarily upon industry. Therefore, one of the fundamental questions asked in this study was: "Do you think any people or groups are using the war to promote their own selfish interests?" Answers to this question were as follows:

Yes	70%
No	18
Don't Know	12

Those who answered affirmatively named the following groups as using the war to promote their selfish interests:

Business and industrial companies	34%*
Politicians	33
Labor unions	30
Farmers	12
Others (misc.)	9
Don't Know	4

*Multiple answers bring the total to more than 100%.

The Responsibility of Industrial Leaders: The findings of this study were very encouraging with respect

to what the public thinks of the contribution of business and industry to the war effort so far. Through several questions this conclusion was made obvious. To mention just one of these questions and its results:

"Which of the following do you think we should have more of in Washington right now to speed up our war effort: Labor union leaders,

government leaders, business and industrial leaders, others?"

Answers by Percents

Labor union leaders	10.4
Government leaders	28.7
Business and industrial leaders	56.7
Others, miscellaneous	12.5
Have enough now	2.9
Don't know	6.5

BY ROBERT S. PEARE. *Sales Management*, May 1, 1942, p. 18:4.

Clinics for Business Problems

NEW regulations, new taxes, shortages of labor, money for purchasing but no goods to purchase, larger expenses—all these and many more perplexing problems serve to bewilder the small business man. But out of the West comes word of a plan—nothing new in principle and probably not the answer to a maiden's prayer—indicating that small business does not intend to place itself upon a downy couch and take it lying down.

San Jose, Calif., has developed a wartime business clinic. Its sponsorship is local, and its guidance is altogether in local hands.

The clinic can best be described by telling what it is not. It does *not* offer a set of ready-made instructions on how to run a business. It assumes that if a man has been in business for some years he knows the rudiments of his trade. It goes on the supposition that those attending have some problems which also have faced others in the same trade or kindred group, and that a stimulated discussion bringing out the experiences of others will help to work out the problem of the particular individual.

Such a clinic performs two essential functions: (a) gives the business man the accurate, authoritative answer of a panel of experts to individual questions concerning new regulations; and (b) encourages self-help in working out solutions to problems arising from the new regulations.

The first step in organizing such a clinic is to select local business leaders as a steering committee. This group reviews all the plans and general arrangements.

In the case of the San Jose clinic, small-interest groups were formed by grocers, printers, and others as the clinic progressed, to discuss ways of meeting their particular problems arising from the new conditions. These special sessions were sponsored jointly by the chamber of commerce and a trade association in each field. The panel for answering questions was made up of the steering committee, the secretary of the sponsoring group, and guest government representatives. All meetings were open to anyone interested in the problems under discussion.

Each meeting in the general series was limited strictly to a specific subject—for example, maintenance and repair priorities. Questions not related to the field under discussion were handled by announcing a date on which the subject would be taken up.

More than a fifth of the business men attending the first San Jose general meeting were interested primarily in price control, and the matter of taxes was a close runner-up. Next in order of interest came purchasing, government contracts, personnel, inventories, expense control, and policy.

—Domestic Commerce 5/14/42

Financial Management

Private Pension Trusts

ONCE a salaried worker has reached the \$3,000 level, his Social Security benefits do not increase with his salary. Thus, at the age of 65, he may find himself faced with a considerable reduction in his standard of living.

To lessen the gap between salary and retirement pay, many companies are instituting individual policy plans, under which employees in the over-\$3,000 brackets will receive 35 per cent of their average salaries on retirement at the age of 65, if a man, and 60 if a woman, with life insurance benefits for those who can pass a physical examination. The cost is usually divided equally between employer and employee, and a typical procedure is as follows:

The board of directors authorizes the adoption of a pension plan (approval of stockholders is optional) and appoints a pension committee of from three to five members—generally two officials and three employees, with one member serving as secretary or manager. At the same time a trustee—a trust company or an individual—is chosen. The trust agreement, in which among other things the duties of the trustee are outlined, is signed by the president of the company, and attached to it is an individual form signed by the employee, which signifies his acceptance of the plan and authorizes the employer to

deduct the cost of one-half the gross premium from his salary.

The trustee holds the policies in escrow, is vested with all incidents of ownership, can sign any papers to be endorsed on the policies. Once a month the corporation turns over to the trustee one-twelfth of the annual premiums due, and at the end of the 12-month period the trustee pays the premiums and deposits the receipts in the files maintained for each individual insured.

Earmarked funds for any employee whose account closes either through withdrawal, resignation or death are returned to the pension committee. In the case of death it is necessary to secure a receipt and release from the executor of the insured's estate, a tax waiver from the state, and a certified copy of the death certificate before returning the policy to the life insurance company or the unused funds to the pension committee. If an employee withdraws from the plan, his policy is returned to the pension committee with any unused premium funds; policies of employees who are retiring are also returned to the pension committee since the trustee, in this typical plan, does not collect proceeds at death or receive the retirement income for the employee. The trustee must, however, handle all change of beneficiary forms and conversions, the establishment of settle-

ment options and any changes therein, keep records of birth dates, and examine policies for typographical errors.

Other provisions of this typical plan are:

If an employee leaves the company, his policy is returned to the pension committee, which may return to the employee either the whole policy or merely his own contributions.

If policies are issued on a participating basis and the dividends are permitted to remain with the insurance company to accumulate interest, the dividends may be made available at the discretion of the pension committee to an employee who is in ill health.

The company agrees to continue the pension plan for at least three years. In the event of termination through bankruptcy, merger, or for any other reason, the policies are to be turned

over to the individual employees.

If a salary is increased, the pension committee may at its discretion cause to be issued an additional policy which will increase the pension proportionately. The trustee may be directed to borrow on the policies for the sole purpose of paying premiums if a majority of the employees agree.

There are two reasons for the increasing popularity of the pension plan: first, the decided trend toward broader social concepts; second, the present high income and excess profits taxes and the expectation of further increases. However, pension plans should not be adopted solely because of possible tax savings. A pension plan is an obligation that continues over a period of years and it must, therefore, be considered in the light of future earnings. BY FRED P. MCKENZIE. *The Eastern Underwriter*, December 12, 1941, p. 38:2.

Eleven Reasons for Wartime Reserves

THE Controllars Institute of America has warned controllars and accountants of the need of establishing wartime reserves as protection against postwar adjustments. The Institute enumerates these reasons for such reserves:

1. Accelerated depreciation of facilities as a result of (a) intensive use and (b) operation by less experienced personnel.

2. Accelerated obsolescence of facilities due to intensive research dur-

ing the war to raise productive efficiency.

3. Amortization of the cost of rearrangement and alteration of existing facilities which will probably be done in the postwar period.

4. Amortization of the cost of additional facilities acquired, the usefulness of which is expected to be substantially reduced at the termination of the war.

5. Losses which may be sustained at the end of the war in the disposal

of inventories useful only for war purposes, or in the adjustment of purchase commitments then open, including any amounts which may be paid for the cancellation of such commitments.

6. Losses which may be sustained in the disposal of inventories not necessarily applicable to war production, due to decline in the price level, which, on the basis of past experience, usually follows a pronounced rise in prices.

7. Repairs and maintenance deferred as a result of pressure for war production.

8. Restoration or alteration of fa-

cilities to peacetime production at the end of the war, if it is reasonable to assume that such restoration or alteration will be made.

9. Separation allowances which may be paid to employees who are discharged at the end of the war.

10. Losses from destruction of property as a result of the action of armed forces or of seizure by the enemy.

11. Decline in the useful value of plant and equipment due to excess capacity resulting from war construction.

American Business, April, 1942, p. 45:1.

What Happens If Mrs. Consumer Won't Walk a Mile?

BECAUSE of restricted automobile travel, the consumer-goods marketing executive faces the dilemma of: (1) less frequent contact with retail stores, and (2) greater consumer dependence on the small-town and neighborhood types of outlets. Any restriction on dealer contact would be most apt to fall on the *small, remotely situated* stores. Yet these are the outlets which stand to benefit from the decentralization of consumer buying which the tire and fuel shortage will cause.

An extensive survey made late in 1940 revealed that, of the urban families in the Central States, 33 per cent passed the nearest drugstore because they liked the price, quality or service offered at a more distant store. Similarly 39 per cent did not trade regularly with the nearest grocery store. And 38 per cent of the first group and 51 per cent of the second traveled more than a quarter-mile to their regular sources of supply—and still further to stores patronized occasionally.

Frequent use of the automobile is clearly reflected in these showings, and restrictions on use of the family car or on delivery service may be expected to favor the small town and neighborhood stores. A mile is a long walk to a person accustomed to habitual dependence on automobile transportation!

On the other hand, the large, well-stocked establishments have found increasing popular response, as evidenced by the fact that the \$100,000-and-over grocery stores moved from a 14.3 per cent share of total grocery volume in 1933 to a 26.5 per cent position in 1939. The consumer survey mentioned above reveals that 59 per cent of the families questioned preferred *some form of self-service* in grocery stores, and that this percentage was high at all points along the economic scale. These preferences and habits may not be dislodged easily. Their hold may be perpetuated to some extent by judicious use of transportation and by buying in greater quantity at less frequent intervals. And the full impact of swollen living costs and higher taxes may cause an even more determined adherence to the less expensive—if frequently more distant—sources of supply.

Thus, while signs point to increased importance for the close-to-home stores, the *degree* of this shift may be as vital as its *direction*. Until these influences have full opportunity to assert themselves, protection of consumer franchise demands that sales effort be distributed among all types of stores.

—The Nielsen Researcher 3/42

Insurance

How to Buy Insurance

THERE is an easy way to buy business insurance, of course:

Just call Cousin Joe, who is in the insurance business, turn the whole problem over to him, and forget about it. However, the insurance buyer who wants to do a good job for his company cannot take that way out. He needs to understand a good deal about the common insurance coverages and something about the lesser-known types; in particular, he will calculate the sources of danger existing in the enterprise and arrange insurance protection against them.

The average commercial insurance buyer, privileged to buy all necessary forms of protection, would purchase most of the following 22 lines:

Fire insurance	Non-ownership auto-
Extended coverage	mobile liability
endorsement	Public liability
Business interruption	Elevator liability
Sprinkler leakage	Product liability
Accounts receivable	Workmen's compensa-
Unearned premium	tion
Ocean marine	Various burglary
Trip transit	forms
Parcel post	Boiler and machinery
Automobile liability	Plate glass
and property damage	Credit
Automobile fire, theft	Fidelity bonds
and collision	Key man life insur-
	ance

Admittedly a limited budget might interfere with the wishes of the insurance buyer. But a program of minimum insurance coverages need not entail an arbitrary and demoralizing sacrifice of protection; it should follow a carefully planned policy.

Every business, large or small, has certain inherent hazards which threaten its profits or even its continued

existence. The insurance-buying executive can chart these hazards and determine the probable number and severity of losses from each hazard. Transposed into the 22 forms of coverage listed previously, his final tabulation might resemble the following example:

TABULATION OF INSURANCE NEEDS

<i>According to Probable Frequency of Loss</i>	<i>According to Possible Severity of Loss</i>
Workmen's compensa-	Workmen's compensa-
tion	tion
Auto fire, theft and	Fire insurance
collision	Extended coverage
Non-ownership auto	endorsement
liability	Business interruption
Credit	Ocean marine
Boiler and machinery	Auto liability and
Various burglary	property damage
forms	Non-ownership auto
Auto liability and	liability
property damage	Public liability
Ocean marine	Product liability
Trip transit	Elevator liability
Parcel post	Credit
Public liability	Boiler and machinery
Elevator liability	Fidelity bonds
Product liability	Key man life insur-
Plate glass	ance
Fire insurance	Sprinkler leakage
Extended coverage	Auto fire, theft and
endorsement	collision
Business interruption	Trip transit
Unearned premium	Accounts receivable
Accounts receivable	Various burglary
Sprinkler leakage	forms
Fidelity bonds	Unearned premium
Key man life insur-	Plate glass
ance	Parcel post

While the probable frequency and severity of losses will be one guide for insurance buyers, other factors may affect the priority which different types of insurance are accorded. One of these is the degree of control which can be exercised over a hazard; ocean marine hazards, for instance, are almost completely beyond human control, while other risks, such as burglary and fidelity, lend themselves to

some appreciable measure of loss prevention. Of the two classifications listed above severity of loss is the more important. Fire losses may be rare, while minor collisions of delivery trucks are weekly occurrences, but one fire loss could put a firm out of business within a few hours.

Where the budget does not permit maximum coverage, the insurance-buying executive should work on the principle that the financial stability of his company is the major consideration. For example: Plate glass in the interior of a factory would be a source of loss, but breakage would not affect operations of the firm nor nec-

essarily deplete cash; while show-window glass in a department store is another matter.

This dictum, however, may not solve the problem for everyone. If the budget is still too limited, should available money be spread over many different insurance forms? The answer is yes. Most insurance losses are small. The buyer of limited funds forced to gamble in some manner should gamble against a large loss from any hazard rather than against a particular hazard. BY JOHN E. BEAHN. *Credit and Financial Management*, November, 1941, p. 9:3.

Salesmen Prepare for Postwar Markets

ONE hundred per cent of the Homasote Company's products go to the government; its salesmen have literally nothing for their regular customers. But the entire road staff is busy now and is expected to remain busy for the duration. And, because of this, the company does not anticipate hard times when the government stops buying. It actually expects to step into a larger market than it had before the war.

Last July, the company, which is located in Trenton, N. J., called in half its sales force to attend classes in elementary construction. In August a second school was held for the remainder of the sales staff.

The territories vacated while the salesmen attended school were taken over by the men in adjacent areas, and surveys were made of all potential customers in each territory—whether the salesmen had been calling on them or not. And then the salesmen were instructed to adopt a new procedure. Instead of calling on accounts who had been purchasing Homasote products in the past, they were to concentrate on new prospects. As they were calling without anything to sell, they had a chance to do a constructive informational job and did not encounter the usual instinctive sales resistance.

By these methods, the company has reason to think, it has enlarged its market possibly 75 per cent. And since its business dropped only 50 per cent in the last depression, it believes that when, and if, the postwar depression strikes, Homasote should find itself a little better off than in normal times.

Among other products, the company expects to offer a four-room house—a quality product throughout—for \$2,000 or less. Moreover, it will be able to deliver this house six days after manufacture is begun.

Since February, all Homasote salesmen have been attending a research school and they will continue to do so until the end of the war. In this way it is hoped to develop employees who will be both technicians and salesmen; and if a depression should find the company with too many technical men, it will be able to send them out on the road to create more business.

—F. VAUX WILSON, JR., in *Printers' Ink* 2/20/42

The Management Question Box

Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.

Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.

Comparative Statistics on Clerical Salaries

Question: Have any statistics been compiled to show clerical salary rates in different types of business? And is there any data on the distribution of clerical workers by salary levels? We should like to know whether our own rates are out of line.

Answer: The latest survey of clerical wages made by the U. S. Women's Bureau covers both rates and distribution, showing the data by leading cities. As this survey was made in 1940, when distribution was still normal, it should prove useful for comparison with individual company rates. It is particularly satisfactory also because it covers a sufficiently large number of offices and workers to give dependable figures and because it presents not only the arithmetical averages (which may be an unreliable guide in wage statistics) but the median figures and the first and third quartiles as well. So far, tables for Philadelphia, Los Angeles, Kansas City, Houston and Richmond have been published.*

Thus, for the city of Philadelphia the survey shows the median monthly wage—that is, the point at which half the items are above and half are below—for all women clerical employees as follows:

Railroads, Federal Government and education	\$126
Public utilities other than telephone and telegraph	114
Telephone	109
Banks and other financial, and telegraph	104
Miscellaneous small offices	* 95
Insurance	91
Manufacturing	88
State government	85
Non-profit organizations	83
Printing and publishing	80
Department and apparel stores	74

* *Wages of Office Workers: 1940* (Women's Bureau Pamphlet). Superintendent of Documents, Washington, D. C., 10 cents (not in stamps).

Median salaries for all male clerical employees in Philadelphia are as follows (where insufficient cases to provide a satisfactory base were reported, the classification has been omitted) :

Telephone	\$208
Railroads	200
Other public utilities (except telegraph)	150
Banks and other finance	140
Federal Government	136
Insurance	123
Manufacturing	114
Telegraph	103
Printing and publishing; department and apparel stores	88
State government	86

Distribution of clerical workers by sex according to different salary levels is shown for the various types of business and again for the different occupations. All these figures cannot be cited in this brief note, but it may be said that there are very significant differences between men's and women's rates and between rates in different types of business. For example, taking the totals for all types of business, we find the distribution by sex in Philadelphia:

<i>Percent with Monthly Salary Rate</i>	<i>Women</i>	<i>Men</i>
Under \$75	23.9	10.5
\$ 75, under \$100	36.1	16.6
\$100, under \$125	21.4	17.8
\$125, under \$150	13.0	16.9
\$150, under \$200	21.5
\$200 and over	16.7
\$150 and over	5.6	38.2

Between different types of business considerable variation occurs in the distribution according to salary levels. While only 7.7 per cent of all women employees are in the under-\$75 group in banks and financial houses. 56.9 per cent of all women clerical workers in department and apparel stores are in this group. However, in the highest classification for women, \$150 and over, there are only 6.9 per cent in banks and 0.6 per cent in department and apparel stores, since in both cases large groups receive from \$75 to \$125.

Financial Records of Competitors

Question: Many companies maintain records of their competitors' sales. However, do any keep formal records of financial facts about their competitors?

Answer: From a small telephone sampling of large companies with New York offices, it appears that most firms make little effort to keep records of financial facts about their competitors. The usual practice seems to be to collect data from such sources as bank reports, Standard & Poor's Corporation, etc.—and that only when there is some special reason for doing

so. In most cases there is no standard form for such reports; each is compiled to meet a special situation.

In one company the controller examines *The Wall Street Journal* every day for changes in the financial setup, organization, price structure, etc., of competing companies; if facts of special interest are found, other data is secured and a survey report prepared. In another company the treasurer's office handles the reports, which are made only in the event of drastic changes in the setup of competing companies.

Only one company with a formal system of checking on the financial status of competitors was discovered, and in this case there was a voluntary exchange of information.

This sampling indicates that here is a management technique which has not been found very useful as yet, or at any rate one which has not been developed to any considerable extent. Undoubtedly this is the reason why authors in the accounting and general management fields have done little more than mention the possibility of maintaining this type of record—in most texts there is no reference to the subject at all. Whether this is due to the difficulty of obtaining anything more than the published financial reports it is impossible to state, but that seems a plausible explanation.

Simplifying Credit Management

A CONSIDERABLE amount of routine work is, of course, inescapable in any credit job. However, there are at least three important short cuts which will help to systematize the credit manager's work and enhance his value to the firm:

1. Greater use of form letters. The form letter is particularly useful in the case of the customer who never pays until he receives some indication that the pressure is on—a form letter will tell him that as well as a personalized appeal. Moreover, in certain cases a reminder which is obviously a form letter is better than a dictated letter because it is more impersonal and hence less likely to offend. Another point is that some individuals' dictated letters all sound so much alike that they might just as well use forms.

2. Elimination of monthly statements. Modern practice requires that all bills be paid from invoices rather than statements. Accordingly, the statement may be sent only as a collection reminder with a sticker carrying a notation that the account is past due.

3. Use of the Dun and Bradstreet book as a reference, wherever possible. Thus it will be necessary to make credit cards only for off-rated accounts, accounts not ordinarily listed in Dun's, and accounts that have proved unsatisfactory and are to be sold on a cash basis only.

One way in which the credit manager can use his extra time is to aid employees who are having difficulty with their personal finances. Assistance of this sort can save a company endless annoyance from garnishments. He can also play a helpful role in operation of the company credit union and in other fields of employer-employee relationships.

—CLARENCE BEECHER in *Commerce* 2/42

Survey of Books for Executives

The Road We Are Traveling: 1914-1942. By Stuart Chase. The Twentieth Century Fund, Inc., New York, 1942. 106 pages. \$1.00.

In what sort of world will American business function when the war is over? Are we to plunge back into the dreary cycle of wartime boom, followed by deeper depression? Or can we use our unparalleled resources to build a fuller life for all Americans?

Stuart Chase, in this brief but provocative analysis, explores the great lines of our economic development from 1914 to the present, tells where we are now and how we got there, and opens up a striking picture of what we may expect on the road ahead. "Win, lose or draw, we can never return to the world of 1928, or even of 1939," he warns. "We have high goals before us. We have trends to follow which do not cut us off too suddenly from what has gone before. Everything which will be in the postwar adjustment is here in embryo now."

The author foresees "full employment . . . public works . . . a modified system of free enterprise." He says that America is marching steadily toward full employment of all its resources and predicts an "economy of abundance" in the postwar era.

This is the first of a series of six

exploratory reports on postwar problems by Mr. Chase which are being published under the general title, "When the War Ends."

History of Vocational Guidance: Origins and Early Development.

By John M. Brewer *et al.* Harper & Brothers, New York, 1942. 344 pages. \$4.00.

The vocational guidance movement, the formal beginnings of which date from the work of Frank Parsons in Boston in 1906, is here systematically portrayed with special emphasis upon its formative influences and early developments. Dr. Brewer, who is Associate Professor of Education in the Harvard Graduate School of Education, has been closely associated with activities in this field for many years, and he has also been able to secure the collaboration of a number of assistants to assure a complete documentation of the study.

In addition to the historical treatment of this growth throughout the country and at the level of grade schools, high schools and colleges, the author offers a critical appraisal of the value of this movement as well as his suggestions about the problems still to be solved. A special chapter is devoted to the growth of the National Vocational Guidance Association.